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DRAFT COOPERATION AGREEMENT WITH THE UNITED NATIONS DEVELOPMENT PROGRAMME

Recommendation of the informal advisory group on decentralization

Refers to development at the level of the informal advisory group and informs about purpose, scope and implementation of the cooperation agreement with the United Nations Development Programme (UNDP). Presents a recommendation of the informal advisory group to take positive note of the signing of the agreement.

Introduction

1. The Board in its decision IDB.28/Dec.2 invited the Director-General to continue his dialogue with the UNDP (and possibly other United Nations agencies), with a view to submitting a proposal on a potential alliance in the field and in the context of the United Nations ongoing reform process for further consideration by the Board and/or the Conference. In compliance with the decision the Director-General pursued intensive consultations with UNDP during the consecutive months to further pursue the decentralization process. Furthermore, at a meeting of the informal advisory group on 10 June 2004 the UNDP Administrator presented his organization's vision on the need to foster strategic alliances within the United Nations reform process and on the proposed cooperation agreement. Following that meeting, an information note was circulated to all permanent missions on 30 June 2004 containing comprehensive information on the agreement. The same information, which is provided in the present document, was the basis of discussions at a series of meetings with regional groups. At its meeting on 26 July 2004, the informal advisory group noted that the cooperation agreement fully respected the recommendations of the group which had been laid out in decision IDB.28/Dec.2 (e). The group further agreed to present the terms of the cooperation agreement to the Programme and Budget Committee at its twentieth session with a view to taking positive note of the signing of the agreement in order to facilitate the early implementation of this initiative.

I. CONTENT AND SCOPE OF THE CO-OPERATION AGREEMENT

A. Main purpose of the cooperation

2. The purpose of this strategic alliance is to develop a joint programme of technical cooperation in the area of private sector development, aimed at implementing

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the recommendations contained in the report of the United Nations Commission on Private Sector and Development[1] and in the corporate strategy of UNIDO (GC.10/14, annex). The main goal of this strategic alliance is, therefore, to address poverty alleviation in developing countries as there is a clear recognition that poverty can be alleviated in the most poor and developing countries by creating a conducive atmosphere for the development of the private sector.

B. Other aspects of the cooperation

3. Furthermore, the cooperation agreement is aimed at introducing a new model of field representation for the United Nations system. The new approach will allow UNIDO to ultimately expand its field presence to 80 countries based on joint programmes with UNDP in private sector development and other fields of UNIDO expertise. It recognizes UNIDO's core competencies and its high-level expertise. It also recognizes UNDP's strength at the country level and its capacity to deliver development services to a wide range of partners.

C. Scope of cooperation

4. The agreement defines the scope of cooperation between UNIDO and UNDP at the country level keeping in mind the Millennium Development Goals and Common Country Assessment (CCA)/United Nations Development Assistance Framework (UNDAF) priorities. UNDP's Resident Representative and global knowledge network will mainstream UNIDO's core competencies, knowledge, experience and information. It will also explore the possibility of joint resource mobilization. UNIDO, in turn, will provide expertise on issues of sustainable industrial development, in the following areas:

(a) Trade capacity-building:

- Strengthening regulatory frameworks for conformity infrastructure;
- Enhancing competitiveness;
- Accessing global subcontracting and supply chain networks.

(b) Investment promotion:

- Promotion of foreign direct investment through strategy and policy advice and business alliances;
- Capacity-building to link investment promotion and industry-related institutions;
- Innovative financial initiatives to link industry with financial markets.

(c) Agro-industries:

- Advice and capacity-building to enhance productivity and marketing in the agro-industry;
- Support to traditional agro-industries to improve productivity and efficiency, increase their integration into global value chains and support rural livelihood diversity.

(d) Energy:

- Promotion of rural energy for productive use, with emphasis on renewable energy;
- Assistance with development and implementation of energy efficiency programmes and demonstration of new technologies and processes;
- Implementation of United Nations Framework Convention on Climate Change (Kyoto Protocol) mechanisms;
- Strengthening institutional capacity for projects under the Clean Development Mechanism and joint implementation under the Kyoto Protocol.

(e) Cleaner and sustainable industrial development:

- Support programmes and development of norms and standards for environmentally sustainable industrial development strategies and technologies;
- Implementation of multilateral environmental agreements and execution of Global Environment Facility (GEF)-funded projects on behalf of UNDP;
- Industrial effluents and international waters.

(f) Entrepreneurship and SME development:

- Capacity-strengthening of the private and public sectors for promotion of micro, small and medium enterprise development;
- Design of programmes to support national poverty reduction strategies through rural micro and small enterprises;
- Entrepreneurship development with emphasis on gender issues;
- SME cluster support, networks and export consortia;
- Business partnerships for SME development.

[1] "Unleashing Entrepreneurship", available under http://www.undp.org/cpsd/fullreport.pdf, published 1 April 2004.

D. Joint private sector development programme

5. Special emphasis will be placed on developing and implementing a joint programme of technical cooperation on private sector development drawing on such UNDP programmes as growing sustainable business for poverty reduction and micro-finance, and such UNIDO programmes as business partnerships, SME cluster development, investment promotion and agro-industrial promotion. The agreement also foresees the development of joint programmes in other areas drawing on UNIDO's expertise in the areas defined above.

E. Cooperation modalities

6. The agreement defines further the cooperation modalities between UNIDO and UNDP within the parameters of national ownership. It defines how UNIDO expertise will be utilized by UNDP both in the design and/or implementation of programmes and projects in areas of UNIDO's core competence, funded by various sources including, inter alia, UNDP, Montreal Protocol and GEF.

7. A special emphasis, however, is being placed on joint activities to strengthen private sector development as envisaged in the recommendations of the United Nations Commission on Private Sector and Development.

8. The agreement also indicates that to promote awareness and create an enabling environment in this area of activity, both organizations also undertake to disseminate the knowledge gained from this cooperation through their communication networks.

9. From a financial perspective, it notes that support costs for the implementation of programmes and projects will be determined proportionally, except for those programmes and projects that follow their respective protocols and those financed from UNDP funds for which a flat rate of 6 per cent has been agreed on for the first two years of the implementation of this agreement.

10. As a measure of commitment to this cooperation, the cost of 15 UNIDO Desks will be shared during the first two years, with the cost of a National Officer (estimated at €60,000 for each Desk) borne by UNIDO while the operating cost (estimated at €42,000 for each Desk), cost of office space where necessary and the operational services are being met by UNDP.

F. Strengthening cooperation at the country level

11. The cooperation agreement between UNIDO and UNDP also clearly indicates that cooperation at the country level can be strengthened by increasing UNIDO presence in the field to up to 80 countries. This will be achieved following a phased approach which will focus on: (a) the establishment of UNIDO Desks in UNDP country offices at locations where UNIDO does not have an office; (b) the conversion of UNIDO Country Offices into UNIDO Desks; and (c) the establishment of UNIDO Regional Technical Centres, and where feasible, joint UNIDO/UNDP Regional Technical Centres.

12. This portion of the agreement also focuses on the modus operandi at the field level. It clearly sets out the responsibility of each organization and determines the number of Desks to be established, the procedure for assessment of the performance of these Desks against established criteria, the number of staff allocated to each country, the reporting lines as well as the terms and conditions of the selection, appointment and appraisal of staff.

II. IMPLEMENTATION OF THE CO-OPERATION AGREEMENT

G. A phased approach including a pilot phase

13. As indicated above, the implementation of this cooperation agreement will be done in a phased approach with the opening of 15 UNIDO Desks at locations where UNIDO does not have a field presence or at locations where UNIDO activities do not call for maintaining UNIDO field offices.

14. The effectiveness of the UNIDO Desk will be reviewed within the first 12 months of operation. At such time, a performance assessment will be made to determine if the UNIDO Desks have been effective and should continue or be expanded, if the review period should be extended for an additional period of 12 months or if the programme should be discontinued.

15. The financing of the first two years of this operation will be shared between UNIDO and UNDP. The operating costs of the Desks will be borne by UNDP, including General Service support, office space, utilities, office supplies, file management, payroll services, local communications and transportation. The costs of the National Professional Officer at each location will be met by UNIDO.

H. Implementation of modalities of the cooperation agreement

16. This portion of the cooperation agreement also describes the implementation modalities of the agreement and the responsibility of both the Director-General of UNIDO and the Administrator of UNDP to ensure its satisfactory implementation.

17. It also specifies the duration of the cooperation agreement, which will be for an initial period of five years with options for an extension based on consultations between both parties.

18. It deals with the assignment of responsibility in both organizations for the effective implementation and monitoring of the cooperation agreement in their headquarters offices.

19. The last part of the agreement deals with the issues of dispute settlement making provisions for any controversy or conflicts to be solved through negotiations or through conciliation. It notes as well the terms and conditions of termination of the cooperation agreement whereby each party shall give six months notice in writing to terminate the agreement.

III. ACTION REQUIRED OF THE COMMITTEE

20. The Committee may wish to take positive note of the information provided in the present document and the foreseen signing of the cooperation agreement.